initially invested. Former mortgage plans have ignored the value of maximizing the risk-adjusted return on mortgage financing by separating, as completely as possible, the compensation component of the cash flow returned to the investor from the repayment of the initial principal. By avoiding required monthly installments consisting of both compensation in the form of interest figured on the remaining principal outstanding and repayment of some portion of the remaining principal, the homeowner's current payment burden can be minimized. In addition, the separation of compensation from original principal repayment can actually expand the amount of original financing extended, thus increasing the homebuyer's purchasing capacity, as well as providing a superior risk-adjusted return to the mortgage investor. --

At page 12, line 5, delete "EPC" and insert therefor – EPMO –.

IN THE CLAIMS:

Please amend Claims 1 and 10, as follows:

1. (Amended) A method of using a computer system for implementing a mortgage plan and preparing mortgage documents specifying payment obligations of a borrower to a lender concerning an asset which is subject to a mortgage, the mortgage plan including an equity participation mortgage obligation, comprising the steps of:

inputting data into the computer system regarding the terms of the mortgage, including the principal amount and an [the] amortization period;

using the computer system to calculate annual average principal and periodic payment obligations of the borrower accruing under the mortgage obligation; and

using the computer system to prepare one or more [a] mortgage documents which [includes] specify the equity participation mortgage obligation [and which specifies], and that the

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lender may share in a predetermined percentage of realized appreciation on subsequent sale of the asset which is the subject of the mortgage.

10. (Amended) A computer system for implementing a mortgage plan and preparing mortgage documents specifying payment obligations of a borrower to a lender <u>concerning an asset which is subject to a mortgage</u>, the mortgage plan including an equity participation mortgage obligation, comprising:

at least one computer including a central processing unit and a memory, for receiving data regarding the terms of the mortgage, including the principal amount and <u>an</u> [the] amortization period, within the computer system;

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the at least one computer calculating annual average principal and periodic payment obligations of the borrower accruing under the mortgage obligation, and preparing one or more mortgage documents which include the equity participation mortgage obligation and which specify that the lender may share in a predetermined percentage of realized appreciation on subsequent sale of the asset which is subject to the mortgage<u>, and that timing of equity participation with the lender is indeterminable, may occur prior to the maturity date, and is controlled by the borrower</u>.

Please add new Claims 11-23, as follows:

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11. A method of using a computer system for implementing a mortgage plan and

or preparing one or more mortgage documents specifying payment obligations of a borrower to a lender concerning an asset which is subject to a mortgage having a maturity date, the mortgage plan specifying an equity participation mortgage obligation in which the lender receives a predetermined portion of realized appreciation in the asset during the life of the mortgage, comprising the steps of:

inputting data into the computer system regarding the terms of the mortgage, including the principal amount and an amortization period;

calculating annual average principal and periodic payment obligations of the borrower accruing under the mortgage obligation; and

preparing the one or more mortgage documents, the one or more mortgage documents specifying: the equity participation mortgage obligation; that the lender shares in a predetermined percentage of the realized appreciation on subsequent sale of the asset which is the subject of the mortgage; that timing of equity participation with the lender is indeterminable, may occur prior to the maturity date, and is controlled by the borrower; and that prior to sale or maturity of the asset, the amount of principal paid by the borrower pursuant to the mortgage exceeds the amount of current interest paid by the borrower.

12. The method of Claim 11, wherein the one or more mortgage documents also specify that the borrower incurs a financial penalty for an early sale of the asset.

13. The method of Claim 12, wherein the mortgage terms include a down payment by

the borrower, and wherein the penalty is the forfeiture of a predetermined percentage of the down payment.

13 14. The method of Claim 12, wherein the penalty continuously declines over a predetermined initial term of the mortgage.

14 15. The method of Claim 11, wherein the one or more mortgage documents also specify a termination date for the mortgage which is synchronous with the sale of the asset subject to the mortgage.

15 16. The method of Claim 11, wherein the one or more mortgage documents also specify that repayment of any existing principal is synchronized with sale of the asset subject to the mortgage.

17. A method of using a computer system for implementing a mortgage plan and for preparing one or more mortgage documents specifying payment obligations of a borrower to a lender concerning an asset which is subject to a mortgage, the mortgage plan specifying an equity participation mortgage obligation in which the lender receives a predetermined portion of realized appreciation in the asset during the life of the mortgage, comprising the steps of:

inputting data into the computer system regarding the terms of the mortgage, including the principal amount and an amortization period;

calculating annual average principal and periodic payment obligations of the borrower accruing under the mortgage obligation; and

preparing the one or more mortgage documents, the one or more mortgage documents specifying: the equity participation mortgage obligation; that the lender shares in a predetermined percentage of the realized appreciation on subsequent sale of the asset which is the subject of the mortgage; and that timing of equity participation with the lender is indeterminable, may occur prior to the sale of the asset, and is controlled by the borrower;

wherein the lender receives capital gain tax treatment on its portion of the realized appreciation of the asset upon the sale or transfer of the asset.

18. The method of Claim 17, further comprising the steps of:

calculating the average mortgage principal outstanding during the amortization period; and

preparing one or more mortgage documents which, upon sale of the asset, limit the lender's share of the realized appreciation of the asset to an Amortization Period Return.

19. The method of Claim 18, wherein the mortgage documents do not specify a maturity date and the sale of the asset occurs after the amortization period has been completed, and further comprising the step of preparing the one or more mortgage documents to specify that the lender's share of the realized appreciation of the asset comprises the sum of the Amortization Period Return and a Post-Amortization Period Return.

20. The method of Claim 18, wherein the lender's share of the realized appreciation of the asset comprises the lesser of: (1) a specified percentage of the total realized appreciation value; or (2) the sum of the Amortization Period Return and the Post-Amortization Period Return.

21. A method of using a computer system for implementing a mortgage plan and for preparing one or more mortgage documents specifying payment obligations of a borrower to a lender concerning an asset which is subject to a mortgage which need not have a maturity date, the mortgage plan specifying an equity participation mortgage obligation in which the lender receives a predetermined portion of realized appreciation in the asset during the life of the mortgage, comprising the steps of:

inputting data into the computer system regarding the terms of the mortgage, including the principal amount and the amortization period;

calculating annual average principal and periodic payment obligations of the borrower accruing under the mortgage obligation; and

preparing the one or more mortgage documents, the one or more mortgage documents specifying: the equity participation mortgage obligation; that the lender shares in a predetermined percentage of the realized appreciation on subsequent sale of the asset which is the subject of the mortgage; that timing of equity participation with the lender is indeterminable, may occur prior to the asset sale or maturity date, if applicable, and is controlled by the borrower;